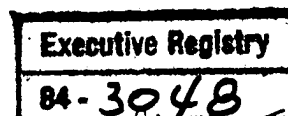




THE SECRETARY OF COMMERCE
Washington, D.C. 20230

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MEMORANDUM FOR: Bill Casey

FROM:

Mac Baldrige

Mac

SUBJECT:

Economic Roundup

Enclosed is the July issue of our Monthly
Economic Roundup.

Enclosure

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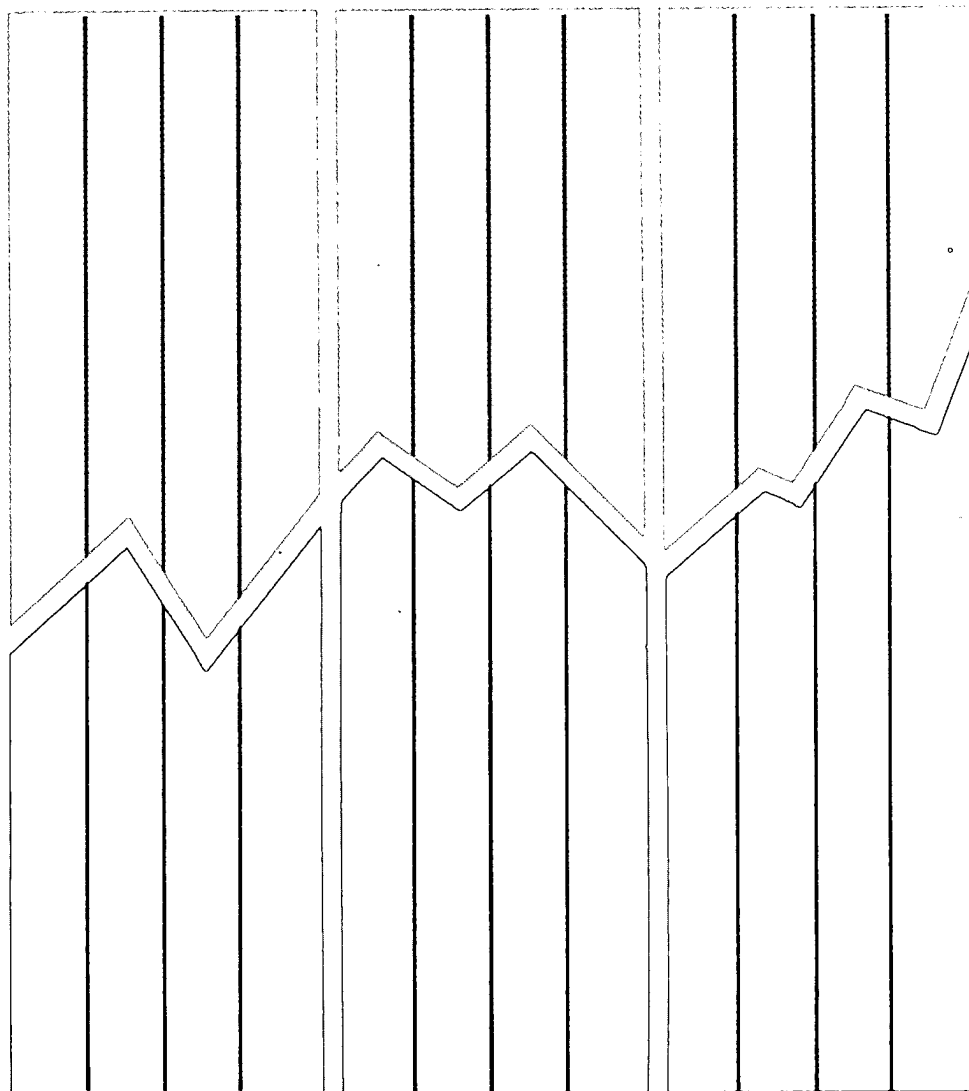
Not referred to DOC. Waiver applies.



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The Economic Roundup



A MONTHLY REVIEW OF
ECONOMIC DEVELOPMENTS



Office of Economic Affairs
U.S. Department of Commerce

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THE ECONOMIC ROUNDUP

A Monthly Review of Economic Developments

Prepared by

The Office of the Chief Economist

U.S. Department of Commerce

**Malcolm Baldrige
Secretary of Commerce**

**Sidney L. Jones
Under Secretary for Economic Affairs**

**Robert Ortner
Chief Economist**

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July 1984

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SUMMARY

Real GNP grew at a rapid 7.5 percent pace in the second quarter, faster than the 5.7-percent "flash" estimate. In the first quarter, output surged 10.1 percent, the largest gain during this expansion. So far, this recovery is the strongest since the Korean war.

- o Residential construction continued to grow in the second quarter, but is showing clear indications of slowing.
- o During the first half, personal consumption expenditures increased at their average recovery pace, but gains in durable goods purchases have begun to decelerate.
- o Business fixed investment is advancing at a rapid rate. In contrast with homebuilding, which is a leading sector, nonresidential construction started to recover only late last year and is now the fastest growing sector.

We expect growth in real GNP of about 5 percent during the current quarter, with consumption and business investment the strongest areas. State and local government purchases and Federal defense spending will make smaller contributions; housing will add little to growth during the current quarter.

Inflation almost disappeared during the second quarter. Domestic and international factors continue to limit price increases.

- o Producer prices for finished goods showed no change in April, May, and June, and were up only 2.2 percent during the last 12 months. The Consumer Price Index rose 0.2 percent in May and again in June, bringing these prices 4.2 percent above year-ago levels.
- o Important wage negotiations begin this quarter, including those for automobile workers and coal miners. The bargaining calendar and carryover of expired contracts involves 2.1 million workers. Recent wage settlements have been moderate.
- o In the nonfarm business sector, productivity gained 3.6 percent at an annual rate over the last six quarters offsetting moderate increases in compensation; the rise in unit labor costs was a slight 0.5 percent at an annual rate.
- o The strong value of the dollar and the availability of imports as an additional source of supply have also helped to dampen price and wage increases.

The Federal Reserve Board, in its midyear report to Congress, indicated that monetary policy will not be changed significantly despite their expectations of near-term strength in the economy and somewhat higher inflation next year.

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EXPANSION STILL STRONG

Real GNP grew at a rapid 7.5 percent pace in the second quarter, faster than the 5.7 percent "flash" estimate. This adjustment reflects a smaller-than-expected deterioration in net exports and faster growth in business fixed investment and government expenditures. In the first quarter, total output surged 10.1-percent, the biggest gain during this expansion.

A Comparison of Recoveries and Recent Growth
(percent changes at annual rates)

	Average of Previous Recoveries*	Current Recovery*	1984	
			First Quarter	Second Quarter
Real GNP	5.9	7.1	10.1	7.5
Consumer Spending	5.3	5.7	4.6	6.9
Business Fixed				
Investment	6.8	16.3	20.6	20.7
Structures	3.5	7.3	22.7	29.4
Equipment	10.1	20.4	19.6	17.4
Residential Structures	16.7	32.2	21.3	9.4
Exports	4.6	5.8	11.4	11.2
Imports	9.1	25.8	47.1	15.6
Federal Purchases	-0.7	-0.6	-2.8	47.9
State and Local	2.0	1.1	3.5	3.2
Real Final Sales	4.7	5.0	3.6	10.4

*First six quarters, excluding the 1949-50 and 1980-81 recoveries

After six quarters of expansion, the current rebound has demonstrated greater strength than the average of five previous recoveries. With the exception of consumer and government expenditures, each broad spending category has grown rapidly by historical standards. A rising portion of these goods, however, was purchased from foreign producers. Thus, growth in real final sales of domestic producers (GNP less the expansion in inventories) has been about average.

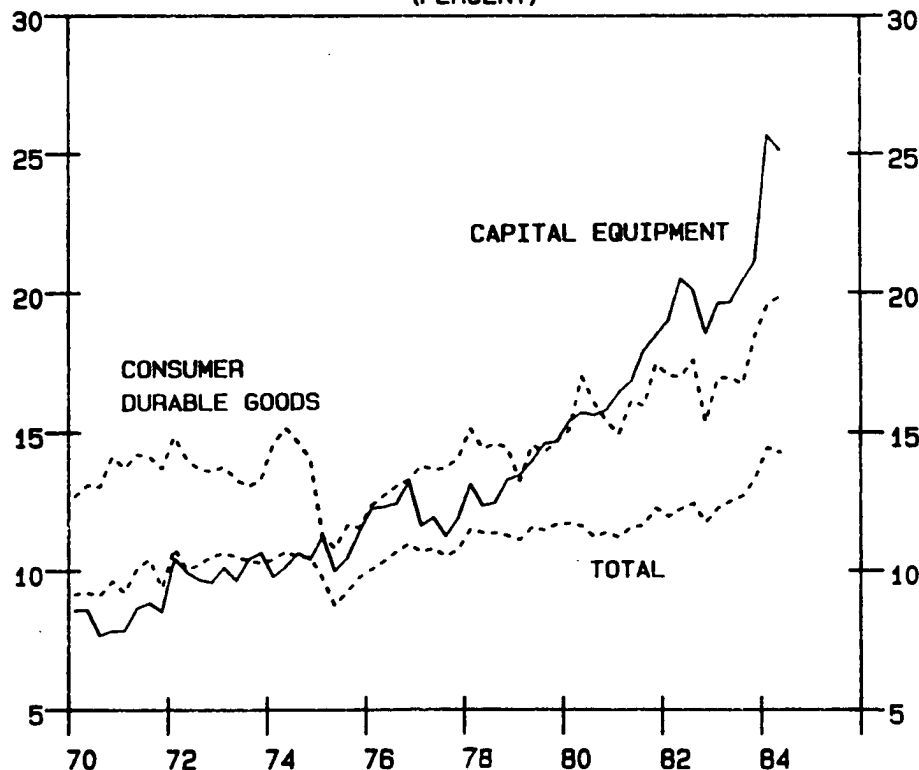
Strong growth continued into the second quarter in almost all categories with the exception that inventory accumulation did not match the 10.4 percent surge in final sales. As a result, growth of total production was a smaller 7.5 percent.

- o Residential construction, while still rising at a vigorous 9.4-percent rate in the second quarter, shows the clearest pattern of slowing growth. A leading component of GNP, residential building in the first and second quarters decelerated significantly from its average growth during the previous year.

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- o Growth in personal consumption expenditures accelerated in the second quarter, though its pace during the first half of 1984 was about the same as the overall gain since the recovery started. However, increases in durable goods purchases, another leading sector, have begun to moderate.
- o Business fixed investment continued to show exceptional strength. sharp contrast to homebuilding, nonresidential construction started comeback only in the fourth quarter of last year but has taken over the strongest component of GNP.
- o Exports of goods and services have recovered at an above-average rate and good gains continued in the second quarter. Investment income, component of services, contributed a disproportionate share, increased at an average annual rate of 11.1 percent in this recovery. Merchandise exports rose at a 4.6 percent rate.
- o The growing share of imports since 1970, as well as in the current recovery, is evident in the following chart. The portion of capital equipment purchases supplied by imports has risen sharply. The import share of consumer purchases of durable goods was already a relatively high 13.2 percent in 1970, but during this recovery it also rose rapidly, from 15.4 percent to 19.9 percent in the second quarter.

REAL IMPORT SHARES OF
 TOTAL U.S. GOODS CONSUMPTION, CONSUMER DURABLES,
 AND CAPITAL EQUIPMENT EXCLUDING CARS AND TRUCKS
 (PERCENT)



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- o Imports of nonautomotive capital goods increased at a rapid 41.3-percent annual rate during the present recovery, pushing their share of domestic outlays for this equipment from 18.5 percent in 1982's final quarter to 25.1 percent during the April-June period. Although imports of these goods increased little last quarter, they have accounted for over half of the rise in nonautomotive business equipment outlays during this recovery.
- o State and local government expenditures have increased slowly since the end of 1982, but picked up to a 3.2 percent rate in the second quarter.
- o Federal purchases are down slightly over the course of this recovery. Excluding the volatile CCC purchases related to farm programs, including PIK, federal expenditures rose at an annual rate of 7.8 percent in the second quarter and 4.5 percent during the recovery. Defense expenditures accounted for all of the gains in both periods.

MORE GROWTH AHEAD

We expect a growth rate in real GNP of about five percent during the current quarter, provided an auto strike is avoided. Consumption and business investment are the major areas of continuing strength. Large gains in defense production and further increases in state and local purchases are also expected.

Areas of Continuing Strength

Personal consumption outlays should expand during the current quarter at about a five-percent pace, closer to the first quarter's 4.6-percent gain than the 6.9-percent rate of increase in the second quarter.

- o Domestic auto sales in the first twenty days of July continued the second quarter's 8.3-million-unit pace, but a scheduled pickup in auto production will contribute an estimated 1.5 percentage points to third quarter growth, barring an auto strike.
- o Retail auto inventories fell to a tight 2.02-month supply in June, and with production still below sales they continued to shrink in July. If sales remain flat, the increased production in August will go into inventories.
- o Employment growth remains very strong according to both the payroll and household surveys. During the May-June period, job gains eased from their pace earlier in the year in the payroll survey but picked up in the household survey.

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- o Wage and salary disbursements increased 0.7 percent in June, continuing the strong growth of the first half of the year.
- o Consumer attitudes remain favorable, with the Conference Board's Consumer Confidence Index at 97.1 percent in June and the volatile Buying Plans Index at 122.3, its highest point since January 1979. The Univ. of Michigan's Consumer Sentiment Index eased to 95.5 percent in June, a high level but down from 101 percent in March.
- o The record \$10.2-billion jump in consumer installment credit in May suggests a willingness to finance further outlays.

The outlook for business spending on plant and equipment continues to be favorable.

- o New orders for nondefense capital goods rose 5.0 percent in the second quarter, continuing their irregular upward path. Order backlogs climbed 4.3 percent.
- o Industrial capacity utilization reached 81.7 percent in June, slightly below the 1967-82 average of 82.4 percent. Seven major industries have passed their 1967-82 average operating rates, while ten have not yet reached their average during those years. The iron and steel sector remains the most depressed; at 73.8 percent, its utilization rate is still 14 percent below its 1967-82 average.
- o Contracts for commercial and industrial buildings averaged 84.4 million square feet in April and May, 15.3 percent above the first quarter total.
- o Recent increases in nonresidential construction were widespread with particularly strong gains in office building and other commercial structures. While growth in these sectors may ease, the expansion of industrial buildings should continue.

State and local government purchases are likely to increase at a somewhat faster pace near term with continued growth in outlays for structures, including public buildings, sewers, and highways. Municipal governments should also step up purchases of goods, such as cars, trucks and office equipment. Employment declines appear to be over in this sector, but increases will be small.

Federal defense spending grew at an 8.3-percent pace in the first half. Further gains are indicated by the high level and continued rapid buildup in order backlogs.

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Areas of Slow Growth

Other sectors are expected to add little to near-term growth.

- o Housing has already been a major factor in this recovery and the slippage in starts to a 1.9-million-unit rate in the second quarter from 2 million in the first quarter, will translate into little overall change in residential construction during the current quarter.
- o A rise in multi-unit starts in the second quarter nearly offset a decline in the more interest-rate-sensitive single family starts, which fell 11 percent below their first quarter pace. Sales of single-family houses edged up in June after declining 13.5 percent from February to May. Mortgage interest rates appear to have stabilized but further gains in housing are not expected until interest rates decline.
- o Merchandise exports fell in June and showed little net change for the quarter as a whole. Moderate increases are expected in the current quarter.
- o Non-auto inventories are not likely to add much to growth in the current quarter, as the pace of inventory investment was already large in the second quarter.
- o Nondefense federal expenditures continue to be restrained. Excluding distortions caused by CCC agricultural purchases, these outlays in real terms fell 4.6 percent at an annual rate in the second quarter.

Two leading indexes are giving signs of slowing.

- o The index of leading indicators fell 0.9 percentage point in June, following a 0.4 percent rise in May. The setback may be an indication of slower economic growth ahead.
- o The diffusion index of the Purchasing Managers Survey remained at 58.7 percent in May and June, down about two points from its average level earlier in the year. The July index slipped further to 56.4 percent.

ANNUAL GNP REVISIONS

Every year the national income and product accounts are revised for the three previous years to incorporate new source data and updated seasonal factors. The revisions this time were generally moderate in size and had little effect on year-to-year growth in real GNP. Changes in quarter-to-quarter annual growth rates averaged a little less than one percentage point.

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The revised data show that real GNP reached its trough in the third quarter of 1982, rather than the fourth quarter. The National Bureau of Economic Research, which specifies the timing of business cycles, probably will not change its designation of November 1982 as the end of the last recession. The trough in real GNP does not always coincide with the end of recessions, which is based primarily on the behavior of industrial production, payroll employment, real personal income less transfers, and real manufacturing and trade sales.

INFLATION REMAINS SUBDUED

Inflation almost stopped in the second quarter.

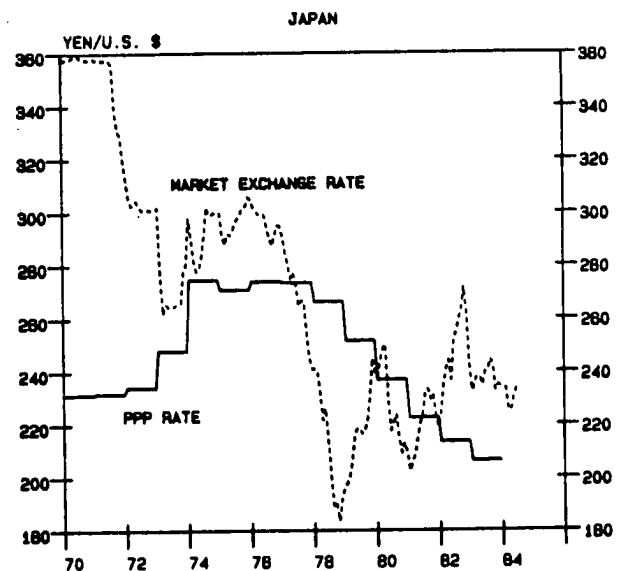
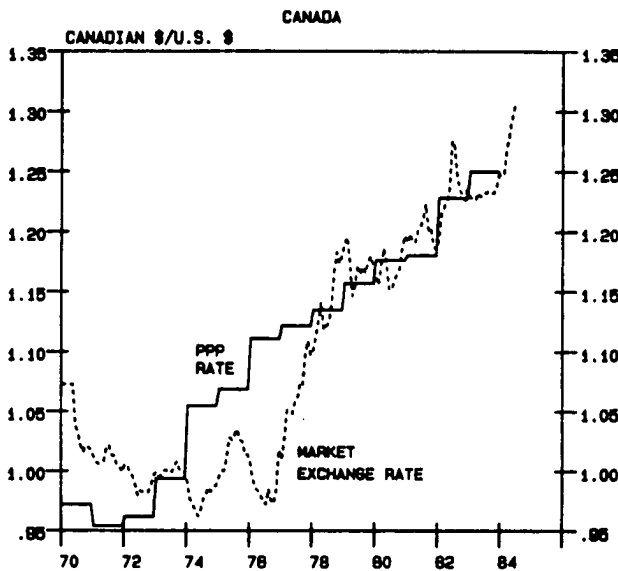
- o Producer prices for finished goods did not rise at all in April, May and June, and were up only 2.2 percent during the last 12 months.
- o The Consumer Price Index rose 0.2 percent in May and in June, bringing these prices to 4.2 percent above year-ago levels.

International and domestic factors continue to limit price increases. On the domestic side, moderate wage increases and strong productivity gains are holding down unit labor costs.

- o Major collective bargaining agreements settled during the first half of 1984 resulted in first-year wage increases averaging 2.6 percent and life-of-contract raises averaging 2.8 percent per year. The last time these parties bargained (about two or three years ago), first-year gains averaged 7.6 percent, while life-of-contract increases amounted to 6.6 percent per year.
- o Important wage negotiations begin this quarter, including those for automobile workers and coal miners. The bargaining calendar is quite heavy with 1.2 million workers covered by contracts which will expire or be re-opened and almost 900,000 workers covered by contracts that have already expired but are not yet settled.
- o Productivity in the nonfarm business sector grew at a 3.3-percent rate in the second quarter, down only moderately from an average rate of 3.6 percent during the recovery.
- o Slower growth in hourly compensation combined with the strong productivity gains, kept unit labor costs to a slight 0.5 percent annual rate of increase during the recovery, and a 0.3-percent rate in the second quarter.
- o Hourly earnings rose 0.3 percent in June, similar to average increases earlier this year. An earnings increase of only 3.2 percent over the last twelve months contrasts with 4.6 percent during the prior year and 6.4 percent from June 81 to June 82.

International factors, particularly the strong value of the dollar and foreign sources of supply, have helped dampen price increases during this recovery.

- o A rise in the foreign exchange value of the dollar lowers the cost of goods purchased from abroad only to the extent that the rise is greater than any increase in overseas prices. An exchange rate which would offset differences in price movements and ensure that a dollar would buy as much overseas as it does at home (a purchasing power parity--PPP--rate) is shown for Canada and Japan in the charts below, along with the actual exchange rate.



- o Prices in Canada, our most important trading partner, have generally risen more rapidly than in the U.S., and the PPP exchange rate, which reflects this difference, has trended upward since the early 70's. The actual market exchange rate has followed this trend rather closely since 1978, indicating that the higher value of the dollar has not lowered the price of Canadian goods (in U.S. dollars) relative to the prices of domestic goods.
- o Prices in Japan, by contrast, have risen less rapidly than in the U.S. and, therefore, the PPP rate has a downward trend. At times the market exchange rate has deviated substantially from this trend. In the last two years the dollar has risen above the PPP rate, suggesting that the dollar has greater purchasing power in Japan than in the U.S.

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- o As in Japan, the dollar has been "overvalued" in major European countries during the last two years. This has put downward pressure on U.S. prices by lowering the costs of imports used in domestic production, forcing domestic suppliers to compete more vigorously, and by lessening pressures on domestic capacity in some industries.

THE MIDYEAR MONETARY POLICY REPORT

According to its midyear monetary policy report to Congress, the Federal Reserve Board will not change its policy materially, despite expectations of continuing near-term strength in the economy and higher inflation next year.

- o The Fed retained this year's target ranges for money and debt adopted last February and reduced slightly the upper limits of the ranges for M1 and M2 proposed for 1985.

Target Ranges for Money and Debt

	<u>1984 Ranges</u>	<u>Actual Growth</u> <u>1983:4 to June 1984</u>	<u>1985 Ranges</u>
M1	4 to 8	7.5	4 to 7
M2	6 to 9	7.0	6 to 8.5
M3	6 to 9	9.7	6 to 9
Debt	8 to 11	13.1	8 to 11

- o The Federal Open Market Committee (FOMC) is now giving equal weight to each of the monetary aggregates. More weight had been given to the broader aggregates, M2 and M3, because of the unusual behavior of the velocity of M1 (the ratio of GNP to M1) in 1982 and 1983 following the removal of interest rate ceilings on deposits.
- o The FOMC members and other Federal Reserve Bank presidents expect appreciable gains in economic activity for the rest of this year, resulting in total growth of 6 to 7 percent during the year. This implies a range of 3.5 percent to 5 percent growth, at an annual rate, during the second half, compared with the actual growth of 8.8 percent in the first half. The members' projections for growth next year varied between 2 percent and 4 percent.
- o For the first time in five years the FOMC is projecting higher inflation for the coming year. As shown in the table below, the committee anticipates an increase in inflation (measured by the GNP deflator) of about one percentage point.

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FOMC Projections of Inflation
 (GNP Deflator, percent change, 4th Qtr to 4th Qtr)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Projected by FOMC in July of:						
1980	9.0-10.0	7.75-9.5				
1981		7.5-9.0	6.5-8.5			
1982			4.75-6.0	4.0-5.75		
1983				4.25-4.75	4.25-5.0	
1984					4.0-4.5	5.25-5.5
Actual Increase	10.1	8.9	4.3	4.0	3.8 ¹	

¹1983:4 to 1984:2, annual rate

- o In his Congressional testimony, Mr. Volcker stated that the Fed tightened policy last spring, but that pressures on reserves have not changed since then and stronger action has not appeared appropriate. Interest rates, in fact, started climbing in February, reaching a plateau in July about 2 percentage points higher. Volcker's comments, however, along with the unchanged targets for this year, and the modest changes for next year suggested to the financial markets that tighter policies are unlikely, and the stock and bond markets improved.

Much of Mr. Volcker's testimony dealt with problems within a generally positive outlook. Along with the financial strains apparent in the collapse of Continental Illinois and the debt repayment problems of several Latin American countries, the low operating rates of some heavy industries, and the squeeze of high interest rates and falling farmland prices on farmers, Mr. Volcker again mentioned the large imbalances in the federal budget and our international trade.

- o Many observers expected the large government deficits to stifle business investment. Growth in investment in this recovery, however, has been the strongest since World War II. Moreover, the high value of the dollar may have helped this rebound. Imports of capital goods surged 68 percent (41.3 percent at an annual rate) since the end of the recession, more rapidly than any other broad category of imports except autos, trucks and parts, which climbed 74 percent.

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- o Optimism should be tempered by the fact that rapid growth in investment does not necessarily imply an equally strong rate of growth in capacity. Only new investment (net of replacement expenditures) adds to the stock of existing plant and equipment, and net new investment, though growing rapidly, is small relative to the existing stock. Total industrial capacity, as measured by the Federal Reserve, has increased 3.1 percent (2.1 percent at an annual rate) since the end of the recession. Some investment projects require many months to complete so that capacity should expand more quickly in the coming months. At the same time, moderating growth will lessen the risk of inflationary pressures next year.

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ECONOMIC INDICATORS

	<u>Jun</u>	<u>May</u>	<u>Apr</u>	<u>Mar</u>	<u>Feb</u>	<u>Jan</u>
<u>General Indicators</u> (% change)						
Composite Index of Leading Indicators	-0.9	0.4	0.5	0.3	1.4	0.7
Composite Index of Coincident Indicators	0.7	0.9	1.1	0.3	0.8	1.4
Composite Index of Lagging Indicators	0.6	1.7	1.4	1.4	1.7	-1.2
NAPM Composite Diffusion Index (%)	58.7	58.7	61.4	58.3	61.5	61.1
<u>Employment</u>						
Total Employment (change in 000's)	460	883	269	250	700	247
Payroll Employment (change in 000's)	301	269	391	212	455	365
Unemployment (change in 000's)	-384	-329	71	-29	-225	-169
Unemployment Rate (%)	7.0	7.4	7.7	7.7	7.7	7.9
Initial Claims for Unemployment Insurance (000's)	350	348	360	348	345	364
Factory Workweek (hours)	40.6	40.6	41.1	40.7	40.9	40.9
<u>Production and Orders</u>						
Industrial Production (% change)	0.5	0.4	0.9	0.5	0.9	1.5
Capacity Utilization, Industrial (%)	81.7	81.5	81.4	80.9	80.7	80.1
Auto Production (mil. of units, AR)	6.9	6.8	7.4	8.6	8.9	9.3
Total New Orders (% change)	-1.4	2.1	-3.4	2.7	1.4	0.2
Nondurable Goods (% change)	-0.3	0.0	0.1	2.6	-0.3	-0.8
Durable Goods (% change)	-2.4	4.0	-6.5	2.8	2.9	1.0
Nondefense Capital Goods (% change)	-3.0	11.9	-3.6	-0.6	7.7	0.8
<u>Inventories</u>						
<u>Manufacturing and Trade</u>						
Inventories (% change)		0.9	1.6	1.1	1.8	0.7
Inventory/Sales Ratio		1.32	1.33	1.33	1.32	1.29
Real Retail Inventory/Sales Ratio, Domestic New Cars	2.03	2.06	2.30	2.46	2.13	2.19
<u>Prices and Wages</u>						
Consumer Price Index (% change)	0.2	0.2	0.5	0.2	0.4	0.6
Food (% change)	0.1	-0.2	0.0	-0.1	0.6	1.6
Energy (% change)	-0.7	0.2	0.7	-0.2	0.2	-0.4
All Other Items (% change)	0.3	0.3	0.5	0.4	0.3	0.5
<u>Producer Prices</u>						
Finished Goods (% change)	0.0	0.0	0.0	0.5	0.4	0.6
Intermediate Goods (% change)	0.4	0.3	0.1	0.5	0.2	0.0
Crude Goods (% change)	-1.0	-0.9	-0.1	2.1	-1.5	0.7
Hourly Earnings Index (% change)	0.3	-0.2	0.5	0.4	0.1	0.4
Hourly Earnings Index (12-month % change)	3.2	3.2	3.6	3.5	3.2	3.6

ECONOMIC INDICATORS (cont'd)

	<u>Jun</u>	<u>May</u>	<u>Apr</u>	<u>Mar</u>	<u>Feb</u>	<u>Jan</u>
<u>Consumer Spending and Income</u>						
Personal Income (% change)	0.8	0.4	1.0	0.6	0.9	1.3
Wages and Salaries (% change)	0.7	0.2	1.2	0.5	0.4	1.1
Disposable Personal Income (% change)	0.8	0.3	1.0	0.6	0.9	1.4
Real Disposable Personal Income (% change)		0.4	0.8	0.2	0.6	0.9
Saving Rate (%)	6.1	5.6	6.4	6.8	6.5	4.9
Personal Consumption Expenditures (% change)	0.2	1.1	1.5	0.3	-0.9	1.9
Real Personal Consumption Expenditures (% change)		1.2	1.4	-0.1	-1.2	1.5
Retail Sales (% change)	0.8	0.5	3.5	-1.5	-1.1	4.1
Domestic New Car Sales (mil. of units, AR)	8.2	8.4	8.1	7.8	8.6	8.1
Consumer Installment Credit (change, \$ billions)		10.2	6.4	5.9	6.6	4.5
Consumer Confidence Index (Conf. Board)	97.1	95.2	97.9	94.5	95.7	98.4
Consumer Buying Plans (Conf. Board)	122.3	105.1	99.4	103.9	108.0	101.4
Consumer Sentiment (U. of Mich.)	95.5	98.1	96.1	101.0	97.4	100.1
<u>Construction</u>						
Real Construction Expenditures (% change)	0.8	2.7	-1.8	2.3	6.7	5.8
Private Residential (% change)	-1.6	1.1	-5.5	2.0	12.8	10.4
Private Non-residential (% change)	2.0	4.5	2.3	1.8	2.3	3.6
Public (% change)	3.9	2.6	-1.1	4.1	2.4	0.0
New Home Sales (% change)	0.6	-4.5	-5.4	-4.2	4.6	-9.8
Housing Starts (000's of units, AR)	1900	1805	2015	1662	2262	1980
Housing Starts (% change)	5.3	-10.4	21.2	-26.5	14.2	16.9
Housing Permits (% change)	1.3	-0.7	1.8	-9.2	5.7	12.3
Mortgage Interest Rates, FHLMC (%)	14.42	13.94	13.65	13.39	13.23	13.37
<u>Money and Credit Conditions</u>						
M1 (% change)	1.0	1.1	0.0	0.4	0.5	0.9
M2 (% change)	0.6	0.7	0.6	0.3	0.7	0.5
Commercial and Industrial Short-Term Credit (% change)	1.7	3.0	2.9	3.7	1.5	-0.2
Federal Funds Rate (%)	11.06	10.32	10.29	9.91	9.59	9.56
3-month Treasury Bills, Auction Rate (%)	9.94	9.90	9.69	9.44	9.03	8.93
Bank Prime Rate (%)	12.60	12.39	11.93	11.21	11.00	11.00
Treasury Bond Yields (%)	13.00	12.89	12.17	11.90	11.44	11.29
Corporate Bond Yields, Moody's Baa (%)	15.05	14.74	14.31	13.99	13.59	13.65

ECONOMIC INDICATORS (cont'd)

	<u>Jun</u>	<u>May</u>	<u>Apr</u>	<u>Mar</u>	<u>Feb</u>	<u>Jan</u>
<u>Merchandise Trade (Census)</u>						
Exports (\$ bil.)	17.6	17.9	17.5	17.7	17.2	18.3
Imports, c.i.f. (\$ bil.)	26.5	26.8	29.7	28.0	27.3	27.8
Trade Balance, c.i.f. (\$ bil.)	-8.9	-8.8	-12.2	-10.3	-10.1	-9.5

	<u>1984</u>		<u>1983</u>			
	<u>II</u>	<u>I</u>	<u>IV</u>	<u>III</u>	<u>II</u>	<u>I</u>
<u>Current Account Balance (\$ bil.)</u>		-19.4	-17.2	-11.8	-9.6	-2.9
Trade (\$ bil.)		-25.6	-19.4	-17.5	-14.9	-9.3
Services (\$ bil.)		8.4	5.3	7.8	7.2	7.9
Direct Investment Income (\$ bil.)		5.7	2.9	4.7	3.6	2.9
Portfolio Income (\$ bil.)		1.9	2.2	2.5	2.4	2.4
Other Services (\$ bil.)		0.8	0.2	0.6	1.2	2.6
Unilateral Transfers (\$ bil.)		-2.2	-3.1	-2.1	-1.8	-1.6
<u>National Accounts (annual rate)</u>						
Nominal GNP (% change)	10.9	14.9	10.6	10.1	12.3	8.5
Real GNP (% change)	7.5	10.1	5.9	6.8	9.4	3.3
Real Consumption (% change)	6.9	4.6	6.8	3.8	10.0	2.6
Real Disposable Income (% change)	6.9	8.6	8.2	7.7	3.4	2.1
Real Nonresidential Fixed Investment (% change)	20.7	20.6	30.6	18.7	9.6	0.2
Real Residential Fixed Investment (% change)	9.4	21.3	4.0	31.6	78.1	64.4
Housing Starts (000's of units.)	1907	1968	1699	1791	1683	1694
Change in Business Inventories (\$72 bil.)	21.5	31.6	7.2	0.9	-6.1	-16.5
Net Exports (\$72 bil.)	-10.0	-8.3	2.0	11.9	13.6	22.9
Real Government Purchases (% change)	19.1	1.0	-4.3	-0.5	-2.6	-8.1
Fixed-weighted Price Index (% change)	3.5	5.0	3.9	4.7	4.1	3.3
<u>Corporate Profits (% change)</u>						
Before-tax (current production)		6.7	6.1	13.1	20.0	12.3
After-tax (current production)		5.2	9.6	12.9	18.2	11.5
Before-tax (book)		7.9	-0.8	14.7	19.8	1.3
After-tax (book)		6.7	-1.1	15.6	17.6	-4.7

Note: All data except interest rates and Consumer Sentiment are adjusted for seasonal variation.

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